

16 February 1960

MEMORANDUM FOR THE RECORD

SUBJECT: Conversation with [REDACTED] Comptroller's Office, re History of Office of Comptroller, 1953-1956. STATINTL

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1. Regarding the relationship of the Comptroller to the Project Review Committee, [REDACTED] said that the Comptroller is a nonvoting advisory member of PRC. In 1954 the IG recommended improvements in operating budget procedure. PRC was given responsibility for reviewing operating budgets but not other budgets. ([REDACTED] dated 1 April 1955, Submission of Annual Programs to the Project Review Committee, Secret, revised 18 Oct. 1955 does not use word "operating budget".) In practice, [REDACTED] said that Comptroller brought together the operating budgets. Each Deputy recommended his own budget. In only two cases has the PRC reviewed operating budgets. In other cases, the DCI signed the operating budgets before PRC met on it. The DCI gets urgent requirements and acts.

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2. [REDACTED] said that he had been working on the new cost budgeting system required by PL 863 of August 1, 1956. There is a Bureau of the Budget Bulletin on the subject. He made a report in December 1956, another report in the summer of 1957, and one in February 1958. He pointed out that it was necessary to develop cost accounting system first. The Office of the Comptroller is trying to bring the Agency into conformance with regular practice without endangering security.

3. The DCI does not like the word "unvouchered" and prefers the word "confidential funds." All CIA funds are vouchered but the vouchers on confidential funds are not subject to outside audit. The DCI felt that no matter how much authority he was given over funds, he should be ready to account for all funds if Congress should make an investigation. During the period 1953-1956, the Office of the Comptroller improved basic procedures for putting CIA on an accounting basis while at the same time maintaining security by preventing disclosure of information vital to defense.

4. The Financial and Fiscal Divisions of the Office of Comptroller conduct what is called a pre-audit before payment. The pre-audit is one of determining the accuracy of vouchers submitted for payment. It examines whether the obligation was properly authorized, whether the money is available, etc.

5. The Audit Staff, on the other hand, conducts a post-audit. Its audit is a verification that the financial records are accurate, as presented. The Audit Staff has been extending its audit to a comprehensive or management audit. As it gets into this field, the question is raised as to what its relation is to the Management Staff and the IG.

6. The Office of the Comptroller has a Contracts Audit Branch which audits accounts of contractors. Its auditors must go to the plant and certify the accounts for payment.

7. [REDACTED] said that he drafted the proposed [REDACTED] "The Budget Function" and the proposed Handbook [REDACTED] "Budgetary Procedures" which are mentioned in [REDACTED] dated 15 May 1956, Confidential,) but these drafts were not approved. DD/P refused to approve. The Office of the Comptroller has to depend upon notices each year. A Budget notice must be followed or an office does not get its funds. [REDACTED] thought that an office subject to a procedure should not have the power to approve that procedure before it went into effect. He said that taxpayers were not given the right to disapprove tax procedures in advance. He thought that the Agency should be more orderly in its procedures. The IG said that there were no budget regulations (1954?). There still are no budget regulations.

8. Notice [REDACTED] 27 Dec. 1957, SECRET, paragraph 4 said the Comptroller shall, in consultation with appropriate Agency components, develop and issue such procedural instructions as are necessary to accomplish implementation of this program (financial management improvement program) within the required time limitations. In practice, [REDACTED] said that he had to follow the regulation issuance procedures.

9. The performance or program budget combines direct and indirect costs for a given program or major activity. Each office ~~is asked to~~ in DD/S is asked how to distribute its costs according to major activities. In the case of the Office of the Comptroller, DD/P and DD/I are asked to give their direct costs. Office of Comptroller costs are prorated in the same ratio to major activities. DD/P once objected to costs of Communications as excessively high for FI. Financial data is given by object class, by organization unit, and also by major activity. It is not possible to go from major activity to one of the other classifications. Money goes only by organization unit and by object class. If Congress should eliminate a major activity, it would be almost impossible to eliminate all indirect costs. What part of DCI or DD/S would be eliminated? The performance or major activity budget is made for presentation purposes. If a Congressman asks what are we getting for our money. The major activity statements give a general idea.

10. The Bureau of the Budget puts out a consolidated cost of intelligence activities statement. CIA is only responsible for its own part of intelligence costs. The figure it submits does not include the entire CIA budget, but only the cost of intelligence activities. DD/I is the only one who has said that CIA should review budgets of other intelligence agencies. (There is a Memorandum for Mr. Macy, Bureau of the Budget, 23 Dec. 1953, from DCI per DD/I on Budgetary Analysis of Intelligence Programs, Confidential).

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11. Administrative plans are reviewed by Technical Accounting Staff (Chief, [REDACTED]). Fiscal plans are also reviewed. Various financial controls are established for proprietary, subsidy, and other projects.

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12. An agency head may appeal from a decision of the Bureau of the Budget to the President. This possibility is mentioned in the Bureau of the Budget, Preparation and Execution of the Federal Budget.

[REDACTED] does not know of any case where CIA had to appeal to the President. The Comptroller's Office has discussed the subject and has prepared drafts. On emergency funds, the Bureau of the Budget usually only asks whether other funds are available and it might turn down a request for a release from the emergency fund on the ground that it, the BB, thought there were other funds available. The questions have been settled between CIA and BB. An appeal has not been carried to the President because CIA has never felt that it was denied funds to carry out a mission.

13. Financial property accountability is part of the financial management improvement program of the Agency (Bureau of the Budget Bulletin 57-5, dated Oct. 10, 1956, pursuant to PL 863 of 84th Cong.). (It is also probable that The Federal Property and Administrative Services Act of 1949, PL 152, 81st Cong. is involved.) This program involves putting a dollar value on property inventories. CIA used to spend money and write it off as cost. [REDACTED] said that he expected CIA to complete financial property accountability by June 30, 1960 and it would then start to bring real property under accountability control.

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